

**UMVOTI
LOCAL MUNICIPALITY-UMASIPALA WASE MVOTI
PLAASLIKE MUNICIPALITEIT**

ANNUAL REPORT

2009/10



ANNEXURE **E**

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GENERAL INFORMATION

MAYOR
Cllr PMS Ngubane

GRADING OF THE LOCAL AUTHORITY
GRADE 2

BANKERS
ABSA BANK, GREYTOWN

AUDITORS
AUDITOR-GENERAL

REGISTERED OFFICE
41 BELL/DINUZULU STREET
GREYTOWN
PO BOX 71
GREYTOWN
3250

MUNICIPAL MANAGER(ACTING)
SB NDABANDABA (LIMFO)

CHIEF FINANCIAL OFFICER
SB NDABANDABA (LIMFO)

MANAGER ENGINEERING SERVICES
SN MALINGA

MANAGER CORPORATE SERVICES
NE DLAMINI

MANAGER PROTECTION SERVICES
KE SIMELANE

CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 MAYOR'S FOREWORD TO BE FINALISED WITH FINAL REPORT

I would like to introduce the draft IDP Reviews and Draft multi-year budget for the year 2009 – 2010 – 2010 – 2012/13 with the warmest welcome from the peaceful elections that took place in Umvoti. The contribution of ward councilors and their commitment to various constituencies has been phenomenal. I am humbled by the fact that not a single ward was left out and the allocation of funds has been done equitably and much work has since been done.

As a municipality we are going through testing times. Whilst the provision of infrastructure such as community access roads, community halls, crèches, sport fields, course ways, taxi ranks, etc is critical, we have also seen an emphasis on bread and butter issues by some people in our ranks. By this we mean the underscoring of food parcels and other handouts during the build-up to the elections. Clearly our people are hungry! There are less job opportunities. But it would be wrong to perpetuate the culture of dependency and the misconception that people are poor and cannot claw their out of poverty. People must be helped to realize their potential and capitalize on their strengths and the abundant opportunities in Umvoti.

Umvoti municipality is blessed with large tracts of arable land and natural resources. We have four important rivers crisscrossing our municipality, namely, Uthukela, Umvoti, Mpofana, and Hlimbithwa Rivers. This provides opportunities for the up-scaling of the underutilized small-scale farming activities, particularly by people residing along the river banks of the latter rivers. We need to build on the impetus created around the agrarian revolution initiative through reviving vegetable and community gardens in the order to deal decisively with the challenge of food security.

As a municipality we are striving to create a favourable conducive environment to attract and enable investors to invest in our towns and surrounding areas. In creating an investor-friendly climate we are guided by our competitive and comparative advantage. We are largely an agriculture oriented economy and we need to build on this strength whilst we gradually diversify the same through value adding mechanisms. We need to enhance agriculture and tourism sectors as key economic drivers of our economy. We need to prioritize capacity building of emerging farmers and mitigate all risks that might derail our resolve to promote them. Our people also need to be educated about their rights and responsibilities, particularly with regard to land claims. All stakeholders must be tolerant to each other's expectations and play their part of the bargain when due processes require of them to do so.

There is also a need to ensure that our organogram is in line with our strategic goals as a municipality. There is a need for restructuring and human resource capacity building if we are to achieve our objectives as a municipality. The incidence of global economic meltdown and recession that is beginning to be felt even in our shores means that we have to tighten

our belts. We have to cut down on unnecessary expenditure and enhance our revenue base through proper and adequate rating system and efficient credit control.

Thank you

1.2 OVERVIEW BY THE MUNICIPAL MANAGER

In terms of compliance with legislation contained in Section 46 of the Municipal Systems Act (Act No 32 of 2000) we need to produce a performance report reflecting the performance of the Municipality comparing targets set for and performance in the previous financial year and measures taken to improve performance.

Community participation in the IDP process is encouraging, however due to the resignation of the IDP manager during the past year this has not been achieved to the extent desired although, Council continues to encourage interested persons to participate in the process so as to ensure the attitude of belonging is nurtured.

Local Government has produced many difficult challenges, which increased the work load of the Acting Managers for most of the Financial year it is my pleasure to report that All the key vacancies were filled between the period of March and November 2008. The Acting Management and the newly appointed managers strived to achieve its objective and goals in terms of the needs of the Community expressed in the IDP.

I wish to PLACE ON RECORD MY SINCERE THANKS AND APPRECIATION TO THE Mayor and Council for the support they have given to the entire Municipal team.

I thank all our strategic partners within the community, our service providers the District Municipality, National and Provincial Government for the assistance and the role they have played during the year in the continual growth of Umvoti, your support and guidance is much appreciated.

To the entire Umvoti Community who faced the challenges from breakdown in water services to the slow pace of service delivery due to staff shortages, thank you for your patience and look forward to serving you and improving our delivery to you.

SB NDABANDABA
ACTING MUNICIPAL MANAGER

1.3 OVERVIEW OF THE MUNICIPALITY

1.3.1 Key Features

Umvoti Municipality is one of the four local municipalities within Umzinyathi District. It is located along the eastern border of Umzinyathi district about 65 km from Dundee and approximately 70km from Pietermaritzburg. It is well served by provincial and regional roads given its location at the intersection of the roads to Pietermaritzburg, the coast; the Drakensberg and the battlefields route. It is about 2509km² in extent and its population is estimated at 120 000 people who are spread unevenly among the eleven municipal wards. It comprises of 5 traditional authority areas, all of which are located beyond a 40km radius from Greytown (known as Umgungundlovana), which is the main centre within the municipal area.

The central part of the area is generally covered with high potential commercial farmland and is characterized by low population density.

1.3.2 Geographical Area/Maps

Map 1 below shows the entire Umvoti Municipal Area:



1.3.3 DEMOGRAPHIC PROFILE

Population by ward

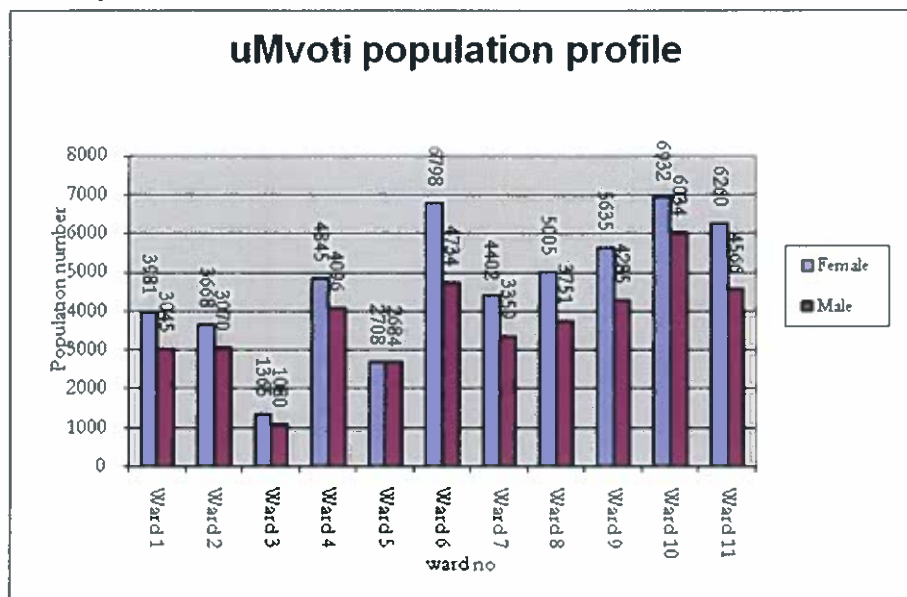


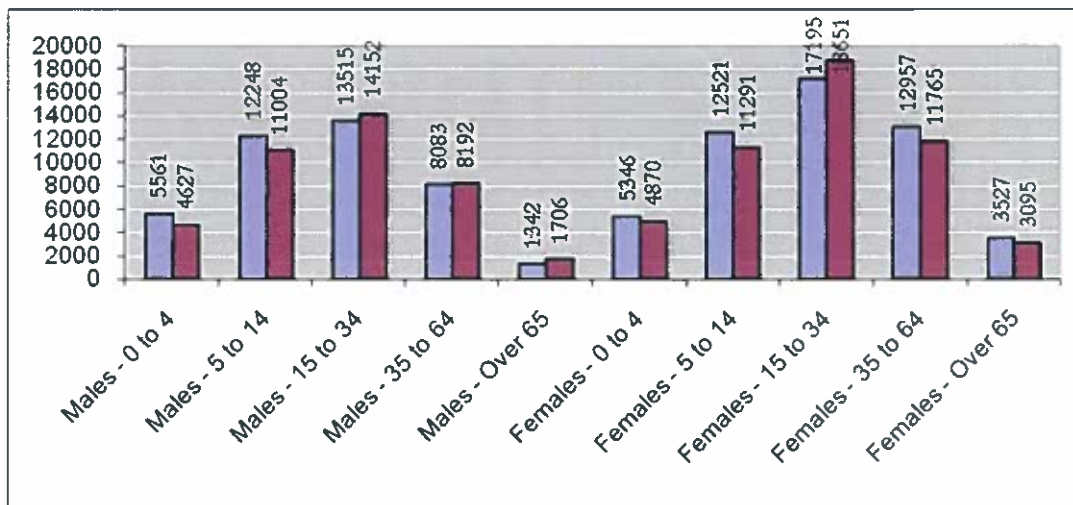
FIGURE 1: POPULATION BY WARD

CENSUS 2001

Figure 2 above, depicts population spread by ward and gender structure by ward. The most populated ward is ward 10 with 6932 females (53%) and 6034 males (47%). The least populated ward is ward 3 with 1365 (56%) and 1080 (44%) female and males population respectively. It is interesting to note that females outnumber their male counterparts throughout the wards. Even though this phenomenon could be attributed to the global trend it could also be attributed to the fact that uMvoti Local municipality area does not provide sufficient employment opportunities. Thus most males relocated to employment centres such as Durban, Johannesburg, and Pietermaritzburg etc.

Age structure of the population

Gender Composition of the Population (2001 and 1996)



Source: Municipal Demarcation Board

FIGURE 2: GENDER COMPOSITION OF THE POPULATION (2001 AND 2004)

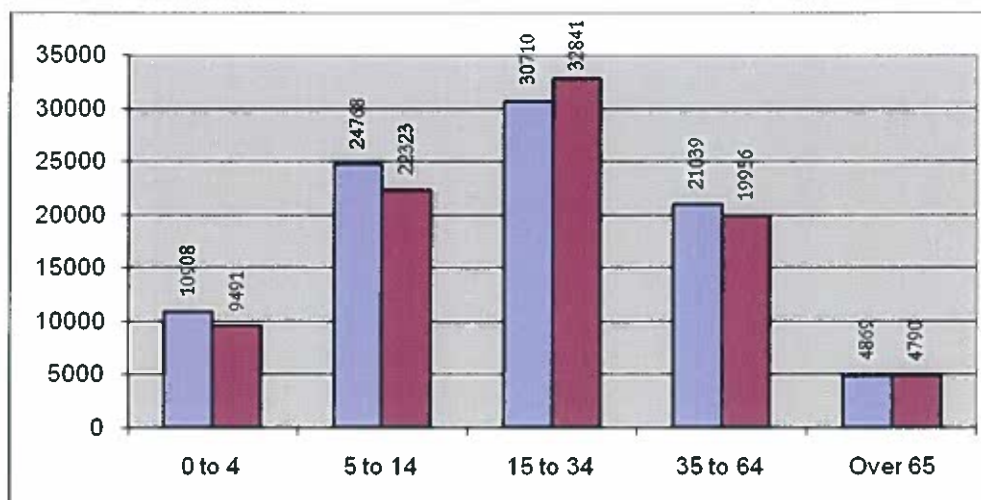
Figure 3 indicates gender and age composition of the population and compares the results of the 1996 and 2001 census. The dominance of women, particularly in the 15 to 34 and 35 to 65 years of age indicates a relatively high level of male absenteeism. This is a common phenomenon in comparable rural areas with limited employment opportunities.

Age Structure of the Population

The age structure of the Umvoti Municipality population indicates a clear predominance of a youthful population (refer to Figure 4). Ideally, the majority of such members is attending school and engages in different sports activities. In about 3-5 years, about half of this population will be entering the job market and competing for employment opportunities.

35% of the population is between 21 and 60 years of age, and could be classified as working age group/economically active population. The remaining 8% comprise the aged and people who did not specify their age.

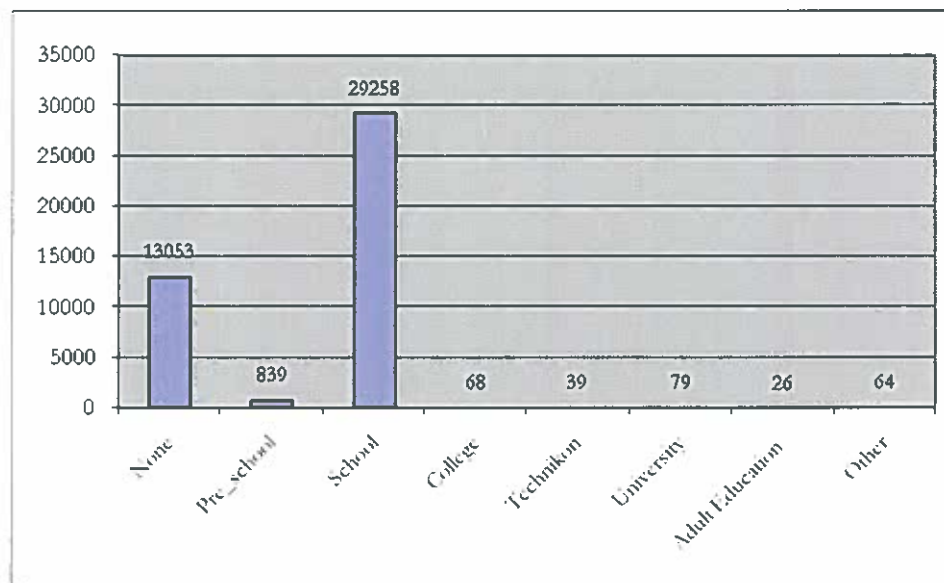
FIGURE 3: AGE COMPOSITION OF THE POPULATION (2001 AND 1996)



Source: Municipal Demarcation Board

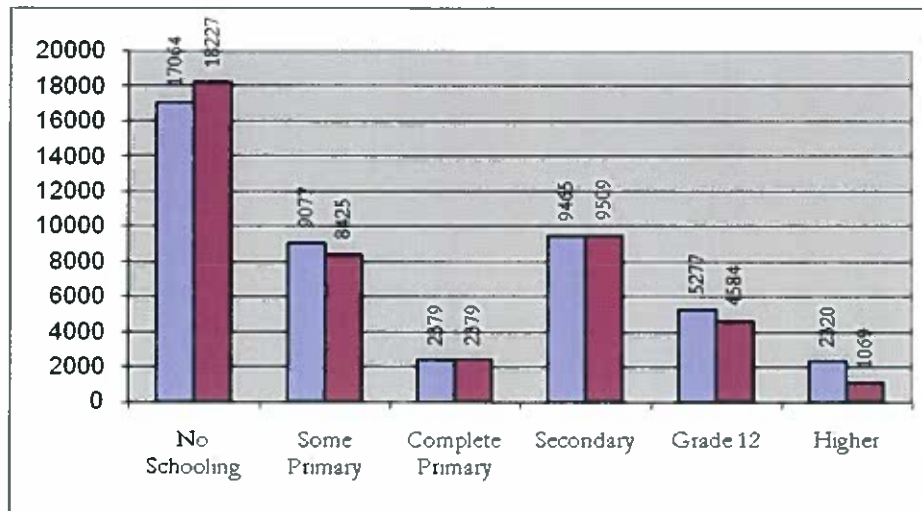
Education levels

Although the majority (29258 people) of people falling within the 5 to 24 years of age cohort are attending school, the number of people not attending school is alarmingly high (refer to Figure 5). 13 053 people including both people with matriculation and people with no matriculation are presently out of school.



SOURCE: MUNICIPAL DEMARCATION BOARD

FIGURE 4: EDUCATION LEVELS ATTENDED BY 5 TO 24 YEAR OLD



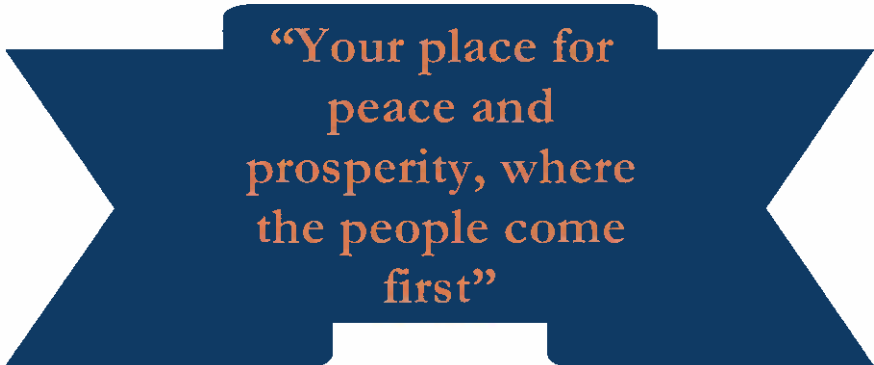
Source: Municipal Demarcation Board

FIGURE 5: HIGHEST EDUCATION LEVEL ACHIEVED BY THE OVER 20 YEAR OLDS

The majority of the Umvoti population (60%) is functionally illiterate. Half of this group has no education at all and the other half having varying levels of primary school education, as illustrated above. This has a significant impact on employability, the type of job opportunities that can be sought and the vocational distribution of the economically active population. Implications of the above facts include the need to provide adult education and training as well as skills development. In addition, the department of education does not provide accommodation for teachers, with the result that many good teachers are attracted to the urban areas. This perpetuates the low pass rate and the high levels of illiteracy in rural areas

1.4 Executive Summary and Management Profile

1.4.1 Our Vision



**“Your place for
peace and
prosperity, where
the people come
first”**

1.4.2 Our Mission Statement

In the service of others, we commit ourselves to:

Provide democratic, transparent and accountable local government;

- Encourage community participation on local government affairs;
- Ensure equity and integrated transformation;
- Ensure sound inter-governmental relations for integrated development planning;
- Facilitate economic and social development;
- Promote a safe and healthy environment; and
- Render and expand affordable and sustainable services in a transparent and accountable manner and promote a culture of payment for services.

1.4.3 Strategic Objectives

Developmental

Umvoti Municipality is committed to addressing the key issues as identified in the previous section. The objectives and strategies are therefore formulated as means of addressing the priority issues. It is important to note that in terms of water and sanitation, the district objectives and strategies are used.

Services

To provide at least a minimum level of services to all residents, including health and social services, in accordance with national governments guidelines on service delivery and with due regard to affordability.

Institutional

To improve communication channels both within the Municipality, and between the Municipality and other key role players..

To improve the skills and expertise within the Municipal Staff to ensure efficient and effective administration and service delivery.

Retain the financial viability of the Municipality.

To initiate an entrepreneurial approach to Local Government through strategic partnerships.

1.4.4 Municipal Financial & Administrative Conditions

The increased size of the municipality with the inclusion of a vast rural component has placed a considerable burden on the financial resources of the municipality, and it is therefore largely dependant on grant funding from the National and Provincial Governments for service delivery. The implementation of the Municipal Property Rates Act will provide some enhancement to the revenue base of the municipality, but it will be negligible in relation to the large indigent component within the municipal area. The municipality is currently in the process of finalising Organograms and Job descriptions to create the necessary administrative structure befitting the expansion of service delivery requirements.

Council Structures

The uMvoti Municipal Council operates on a Collective Executive System, therefore five Standing Committees have been established in terms of Section 79 of the Local Government Municipal Structures Act, (Act 117 of 1998). uMvoti has 21, 11 are ward Councillors and 10 are PR Councillors. The Executive Committee reports to Council. Council in its Code of delegations has approved the following portfolios with functional areas. The Mayor will allocate Portfolios to Councillors;

Budget & Finance

Corporate Services

Economic and Development Planning

Technical Services

The above portfolios will operate as Standing committees and these Standing committees will report to the Executive Council. Standing committees will function;

☐☐To develop and recommend strategy.

☐☐To develop and recommend by-laws

- 22 To ensure public participation in the development of policy, legislation, IDP and budget.
- 22 To monitor the implementation of Councils policies.

Ward Committees

Ward committee members for all eleven (11) wards and is a competency of the Office of the Speaker. Each ward committee consists of ten (10) members and is paid a monthly stipend of R 200 from uMvoti Local Municipality. The lack of office accommodation and equipment is a challenge that is currently being addressed.

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIAL	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	Ngubane P M S		IFP	PR
Deputy Mayor	Zondi S V		IFP	8
Executive Com. Member	Ngubane T Z		ANC	2

COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	Maharaj H	IFP	10
Councillor	Buss PR	DA	PR
Councillor	Dludla H J	IFP	P R
Councillor	Dladla D	IFP	4
Councillor	Mavundla P G	ANC	P R
Councillor	Mbatha MB	IFP	11
Councillor	Mchunu TM	IFP	PR
Councillor	Mkhize CN	IFP	6
Councillor	Nzama S A	ANC	1
Councillor	Ngcobo EN(Late)	IFP	9
Councillor	Ngobese J	ANC	PR
Councillor	Shangase S	IFP	P R
Councillor	Shaik A M	ANC	3
Councillor	Shange E S	IFP	5
Councillor	Vilakazi B	ANC	P R
Councillor	Zondi DP	ANC	P R
Councillor	Zondi DN	IFP	8
Councillor	Zuma P	ANC	P R

Chapter 2: Performance Highlights

Functions Performed

The municipality faced huge challenges due to the enlargement of the area of jurisdiction, and had to spend enormous effort and resources to align the institution and all strategic plans to the increased demands for service delivery. The Council appointed four Strategic Managers for the various functions, and embarked on a mission to formulate the correct organisational infrastructure to ensure improved service delivery. The municipality managed to continue the supply of services within the urban areas, which included Electricity, Refuse removal, Roads, Stormwater management and Cleansing. The addition of Houses for the Indigent was also prioritised, with one scheme completed during the year, and another commenced with. Detailed reports regarding service delivery by each functional department is included in Chapter 5 of the report. Backlogs in service delivery is depicted in Chapter 1 above, including Water and Sanitation which is no longer a function of the municipality, and Electricity, which is a service supplied by Escom for all rural areas.

Service delivery by uMvoti Local Municipality can be summarized as follows:

- Roads & Stormwater
- Solid Waste (Removal & Management)
- Electricity Distribution (Greytown town only)
- Town Planning
- Local Economic Development
- Marketing & Investments Promotion
- Public Amenities (Halls & Sporting facilities)
- Environmental Control (Nature Reserve & Cemeteries)
- Traffic Policing
- Human Resources Management
- Financial Management
- Special Programs for designated groups

Summary of Projects

Several projects were embarked upon during the year, and were financed from Equitable share, Municipal Infrastructure Grant and Housing funds. A summary is attached per Chapter 5.

Debtors recovery

The table below indicates the arrears debt of Council at 30 June 2009

3)Debtor Age Analysis as at 30th June 2009

SERVICE	120 DAYS	90 DAYS	60 DAYS	30 DAYS	CURRENT
RATES	8128211.54	420430.33	641166.5	802428.75	1304083.3
ELECTRICITY	871006.03	53241.66	86861.69	299839.32	2148909.63
REFUSE	1154306.79	49793.63	62799.51	88058.88	319444.55
SUNDRY	929189.22	70771.63	92665	85034.82	-437115.99
HOUSING	0	0	0	0	164595.88
TOTAL	11082713.58	594237.25	883492.7	1275361.77	3499917.37

2.2 Service Delivery Backlogs

Service Backlog as per the District Backlog Study

The District Backlog study was conducted by Jeffares and Green (Pty) Ltd who were appointed to conduct a backlog study in the UMzinyathi District in March 2007. The study highlights that as the municipality is comprised of urban areas, commercial agricultural areas and tribal authority areas all of which exhibit typical characteristics associated with these settlement types. Service levels in urban areas are high except for informal areas, in commercial agricultural areas they are relatively high as farmers provide their own services and in tribal authority areas they are low to moderate. Thus backlog levels tend to average out which tends to skew the picture at community level. The summary of the backlogs is highlighted in the table below:

TABLE 1: THE SUMMARY OF THE BACKLOGS

Umvoti	Water	Sanitation	Electricity	Refuse
Served	8536	9305	8213	5990
Not Served	14056	13287	14379	16602
Backlog				
Total	22592	22592	22592	22592
Backlog (%)	62.2%	58.8%	63.6%	73.5%

Source: Backlog Study Jeffares and Green (Pty) Ltd 2007

The table below summarises per service the approximate cost of addressing the current service backlog to the minimum Level of Service.

TABLE 2: PROJECTED COST TO ADDRESS BACKLOG

Water	R84 336 000.00
Sanitation	R39 861 000.00
Electricity	R61 110 750.00

Refuse Site	R13 696 650.00
Refuse Collection (per annum)	R1 394 568.00

Source: Backlog Study Jeffares and Green (Pty) Ltd 2007

Chapter3: Human Resources and other Organizational Management

Umvoti Municipality has 21 Councillors, 11 of which are Ward Councillors and 10 Proportionate Representation (PR) Councillors. It operates with an Executive Committee System, with various Portfolio Committees established in terms of section 79/80 of the Municipal Structures Act, (Act No. 117 of 1998). Full Council meetings are held quarterly with EXCO meetings being held at least monthly.

Umvoti Municipality has a staff complement of 152(permanent & contract). The temporary staff has been reduced. The following are the institutional needs for Umvoti Municipality:

- Institutional capacity building
- Enhancement of performance management and monitoring systems
- Proper definitions of roles and responsibilities for the municipal departments
- Strong human resource and skills base

In order to deal with the issue of skills development, the municipality prepared a **Workplace Skills Plan** for 2009/2010 which has since been submitted to SETA. In terms of the latter plan, the break-down of the employees in terms of gender is 95 males and 57 females. In terms of equity and transformation, the municipality has made significant progress in that the majority of the employees come from previously disadvantaged backgrounds. Most senior positions are occupied by people who hail from the latter category.

The specific training needs for all the categories of employees are detailed in the workplace skills Plan. In line with the legal requirement, the municipality has nominated a skills development facilitator (SDF). The SDF is accountable for skills development activities and is the point of liaison between the municipality and stakeholders such as LGSETA.

The diagram below represents the organogram as per existing departments, it should be noted that the full organogram for the Municipality is annexed at the end of the document as indicated above.

The municipal Organogram was presented to Council during this financial year & critical posts have since been identified. It is noted that there has been some improvement as some of the vacant positions were being filled by the municipality during 09/10. It is anticipated that the outstanding vacant posts will be filled during the 10-11 financial

year.

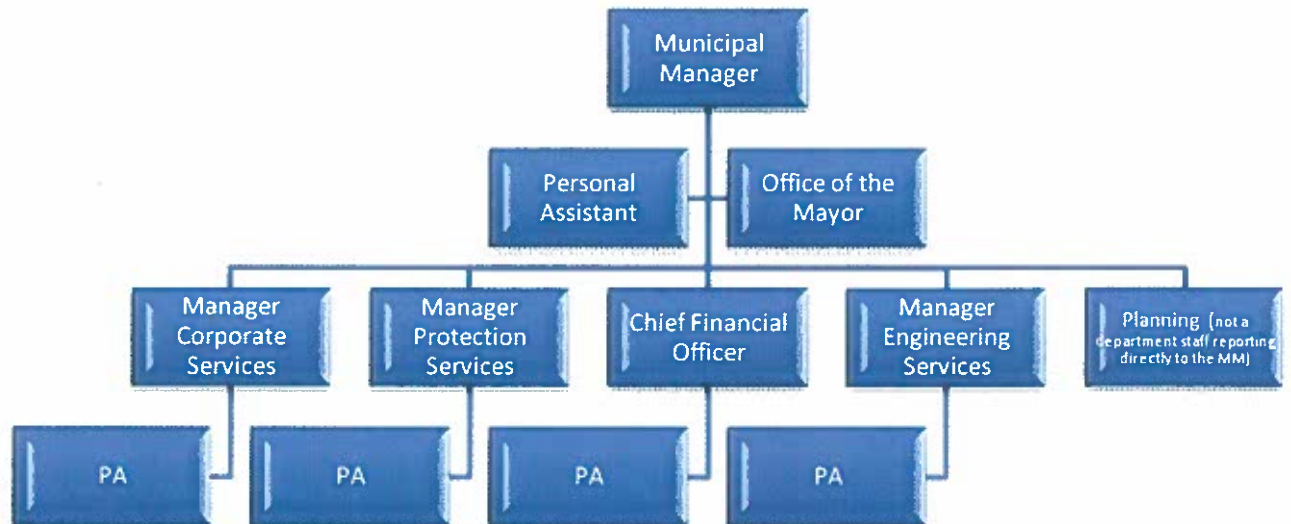


FIGURE 6: SCHEMATIC REPRESENTATION OF THE ORGANOGRAM - S57 ONLY

The full municipal Organogram is attached as Annexure Two. The functions of Umvoti Municipal Departments are summarised below.

Corporate Services

This department is responsible for the following functions:

- **Records Management:** the municipality has staff responsible for this function.
- **Committee and General Administration:** The staff is in place but there is still a need for additional staff. There is currently one Committee Clerk responsible for all the Council meetings.
- **Human Resources Development:** The municipality has two staff responsible for this function.
- **Legal:** Private firms are used for legal services
- **Valuations:** No incumbent for this position
- **IT & GIS:** no incumbent for this function
- **Museum:** There is staff in place. The Museum also relies on the Museum grant for the other needs such as equipment
- **Public Libraries:** The Town Library is functioning properly. The Enhlalakahle library was closed down due to financial constraints. The Kranskop library has been recently

upgraded however there is a possibility that this facility will close down due to financial constraints.

Engineering Services

Manager Engineering Services was appointed and resumed his duties on 03 March 2008. This department is divided into two subsections:

A) Electricity

Currently this section is managing to deal with all of the functions listed below.

- Installation & maintenance of prepaid meters
- Issuing of electricity cards
- Upgrade of Voltage e.g upgrade of feeder cables
- Installation of electrical system for new housing projects

B) Civic

● Public Works

- Roads: relying on consultants for the road projects. The qualified engineer has recently been appointed as Manager Engineering Services. A civil technician & a project officer has since been appointed

● Parks & Gardens:

- Waste Management: refuse collection, refuse transfer, cemetery maintenance: currently relying on temporary staff for this function.

● Maintenance of Municipal Buildings

- Building Control: Building Control Officer has since been appointed.

- Cleansing of town – Greytown, Kranskop, Enhlalakahle & Muden (Muden on request): currently relying on temporary staff for this function.

Planning Department

The Council decided to dissolve this Department. The staff in this department was incorporated to other Departments. However it is felt that this Department needs to be reinstated in the 2009/10 financial year.(Nothing has since been done around this issue)

- **Housing and Social Development:** there is one incumbent (Housing& Social Development Manager). It was proposed that this incumbent be part of Corporate Services Department
- **IDP & PMS:** There is one incumbent (IDP/PMS Manager) that was incorporated into Finance Department. But it is felt that this is a very unusual arrangement and the municipality is strongly advised to separate these functions
- **Land Use Management including town planning matters** (statutory work, enforcement of town planning bylaws and schemes & municipal land management):

There is currently one Town Planner responsible for this function. This position was incorporated into Engineering Services.

- **Hostel and Squatter Control:** Control of increase in the number of squatter settlements& issuing of lease for hostel residents – The hostel is currently being upgraded therefore the incumbent responsible for this function would be allocated other duties.
- **LED/Tourism:** an LED Officer has since been appointed in the 2009/10 financial year.

Protection Services

The Protection Services Manager (Head of Department) was appointed during the 2008/09 Financial Year.

This department comprises of the following functions:

A) Licensing

- Learners and drivers licenses: There is currently a need for an extra Learner

Licence Examiner

- Motor Vehicle license:

B) Law Enforcement e.g. traffic fines: There is a need for at least three Traffic Officers.

C) Disaster Management: there is no dedicated staff for this function

D) Vehicle Examination: There is currently a need for an Assistant Motor Vehicle Examiner

E) Traffic Wardens: school patrols - the school patrols are in place in town

F) Municipal Security: There are Security Guards that are employed by the Municipality but the municipality relies strongly on a Private Security Company.

Finance Department

The Chief Financial Officer has recently been appointed and resumed his duties on the 3 March 2008. It is noted that there is a need for additional staff in this Department.

This Department deals with all Municipal financial issues:

- Budget: There is currently a need for the Budget Officer but such position is not currently budgeted for. An accountant has been appointed by the municipality as from 01 June 2008.

- Collection of debts

- Rates and Credit Control: there are three incumbent currently employed to undertake this function.

- Indigent Support/Customer Care: one incumbent currently undertakes both these functions. The municipality has prepared an Indigent Policy and has also been reviewed.

- Selling of prepaid electricity: the municipality is currently managing to execute this function.

- Staff salaries: Position has since been filled.

- Customer Care Centre: there is an officer responsible for both customer care and indigent support.

- Supply Chain Management: SCM Manager & SCM Officer have since been appointed. The Council adopted a new Supply Chain Management Policy at the end of 2005 year and this policy has been implemented with effect from 01 January 2006. There is currently two temporary employees in this section.

- Audit Function: The Umvoti Municipality has had unqualified audits for twelve years. There is a shared Audit Committee with the District in place. There is one intern assisting with the Internal Audit function which is also outsourced.

Chapter 4: Audited Financial Statements and Related Financial Information

Annual Financial Statements

The Annual Financial Statements for 2009/2010 were submitted to the Office of the Auditor General on time, namely 31 August 2010. Annual financial statements is attached as Annexure 'A'

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMVOTI MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umvoti Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 43.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umvoti Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 2 to the financial statements, the corresponding figures for 2008-09 have been restated as a result of an error discovered during 2009-10 in the financial statements of the Umvoti Municipality at, and for the year ended, 30 June 2009.

Material under-spending of the budget

10. The capital budget of R63,225 million was under-spent by R39,506 million. This was in respect of housing projects that did not materialise during the year under review.

Irregular expenditure

11. As disclosed in note 36.2 to the financial statements, irregular expenditure to the amount of R3,089 million was incurred as a proper tender process had not been followed.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The unaudited supplementary schedules set out on appendices A to E does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations (MFMA, Municipal Supply Chain Management Regulations – GNR 868 of 30 May 2005 (MSCMR), and Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)) and financial management (internal control).

Predetermined objectives

15. Material findings on the report on predetermined objectives, as set out on pages XX to XX, are reported below:

Non-compliance with regulatory and reporting requirements

Inadequate content of integrated development plan

16. The integrated development plan (IDP) of the Umvoti Municipality did not include the key performance indicators and performance targets set in terms of its performance management system, as required by sections 26(i) and 41(1) (b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Usefulness of reported performance information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan (IDP), i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit finding relates to the above criteria:

Planned and reported performance targets not specific/measurable/time bound

17. The IDP projects for the completion of existing housing projects, staff training on waste management, and agricultural and manufacturing projects were not:
- specific in clearly identifying the nature and required level of performance;
 - measurable in identifying the required performance; and
 - time bound in specifying the time period or deadline for delivery.

Compliance with laws and regulations

Non-adherence to legislation

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA)

The accounting officer did not adhere to his statutory responsibilities

18. Adequate processes were not in place for financial, risk management and internal control, in that, risk assessments were not performed, as envisaged in section 62(1) (c).

Supply chain management legislative requirements were not implemented or not adhered to

19. Supply chain management (SCM) records were not maintained in an orderly manner, as required by section 62(1) (b).

Municipal Supply Chain Management Regulations – GNR 868 of 30 May 2005 (MSCMR)

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

20. Regulation 38(1)(g) was not complied with, as contracts were awarded to a bidder that acted unfairly in competing for particular contracts.

Local Government Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA)

21. No performance evaluations were completed, as required by section 57(4) (b).

Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) (CIDB)

22. No construction contracts were registered with the CIDB, as required by section 22(3).

INTERNAL CONTROL

23. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the following key laws and regulations (MFMA, MSCMR and MSA) but not for the purpose of expressing an opinion on the effectiveness of internal control.

24. The matters reported below are limited to the significant deficiencies that gave rise to the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

25. The leadership did not exercise adequate oversight over daily and monthly controls to improve financial, compliance and performance reporting because decisive actions had not been taken to mitigate avoidable risks. Moreover, the importance of accountability as well as the safeguarding of resources was not emphasised, which resulted in irregular expenditure.

Financial and performance management

26. The financial statements were not reviewed for completeness and accuracy and were subjected to material amendments resulting from the audit. Moreover, the financial reporting framework requirements and the importance of internal controls with regard to the safeguarding of vital documentation were not understood and communicated.

Governance

27. The risk of material misstatement due to fraud was not adequately considered, as evidenced by the weaknesses noted in the procurement and contract management component, as well as the absence of a fraud prevention plan, coupled by the non-performance of risk assessments. In addition, internal controls were not selected and developed to prevent, detect and correct weaknesses timeously.

OTHER REPORTS

Investigations

Investigations completed during the financial year

28. An investigation was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on the allegation of SCM irregularities for the period 1 January 2007 to 31 December 2009. The investigation had recommended that the bid adjudication committee be trained on the SCM policy.

Pietermaritzburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

UMVOTI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2010

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 41, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



S. N. MALINGA
ACTING MUNICIPAL MANAGER

17/11/2010

Date

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	P M Ngubane	:	Mayor, Exco. Chairperson
Councillor	S V Zondi	:	Deputy Mayor
Councillor	T Z Ngubane	:	Exco Member
Councillor	R Maharaj	:	Speaker

GRADING OF LOCAL AUTHORITY

GRADE SIX (6)

AUDITORS

OFFICE OF THE AUDITOR-GENERAL

BANKERS

ABSA BANK

REGISTERED OFFICE

106 PINE STEET
Greytown
3250

TELEPHONE

033-4139100

ACTING MUNICIPAL MANAGER

SN MALINGA

FINANCIAL MANAGER

S B NDABANDABA

MEMBERS OF THE UMVOTI MUNICIPAL COUNCIL

PR	:	P M S NGUBANE
PR	:	P R BUSS
PR	:	T H MCHUNU
PR	:	J NGOBESE
PR	:	S SHANGASE
PR	:	B VILAKAZI
PR	:	D P ZONDI
PR	:	P ZUMA
PR	:	H J DLUDLA
PR	:	P G MAVUNDLA
W1	:	SA NZAMA
W2	:	Z T NGUBANE
W3	:	A M SHAIKH
W4	:	D DHLADHLA
W5	:	E S SHANGE
W6	:	C N MKHIZE
W7	:	D N ZONDI
W8	:	S V ZONDI
W9	:	ZW XABA
W10	:	R MAHARAJ
W11	:	F MASIKANE
MAYOR	:	P M S NGUBANE
DEPUTY MAYOR	:	S V ZONDI

APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements set out on page 01 to 41 were approved by the Acting Municipal Manager on 30 August 2010 and will be presented to and approved by Council on 30 September 2010


ACTING MUNICIPAL MANAGER
 (Accounting Officer)


FINANCIAL MANAGER

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
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Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – Issued February 2008:

Non-exchange transactions in which the entity receives services without directly giving approximately equal value in exchange, has not been accounted for as revenue. These transactions are minimal and are considered immaterial. Refer to paragraph 9 for compliance in the current year.

GRAP 24: Presentation of Budget Information in Financial Statements – Issued November 2007:

Compliance with this standard would have had an effect on the presentation only. The budget information is currently disclosed in the appendices.

GRAP 103: Heritage Assets – Issued July 2008:

Compliance with this standard will not have an impact on the current financial information as the recognition and measurement requirements of the standard have already been adopted.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3. RESERVES

3.1 *Capital Replacement Reserves (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

CRR is included in Accumulated Surplus in the Statement of Financial Position.

3.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Capitalisation Reserve is included in Accumulated Surplus/deficit in the Statement of Financial Position.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government Grant Reserve is included in Accumulated Surplus/deficit in the Statement of Financial Position.

3.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and Public Contribution Reserve is included in Accumulated Surplus/Deficit in the Statement of Financial Position. In the prior year it was separately disclosed.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

3.5 Revaluation Reserve

The surplus arising from the revaluation of the timber plantations is credited to the revaluation reserve.

The plantations have been leased to Messrs Mondi Forests for a period of 30 years commencing on 1 October 1987. In accordance with the lease agreement, the rental payable is adjusted annually based on 90% of the increase in the consumer price index. During the current year the rental amounted to R 1 924 257. The agreement also provides that the Lessee shall use its best endeavours to fell timber in a proper cycle in order to attempt to secure that when the lease expires. The Council will receive the plantations in a proper cycle with a reasonable spread of age classes. The timber plantations are reflected at the estimated fair value as at 31 July 2010 calculated by the council's consultants.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation . Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	10 to 20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Major Sub Station Buildings	20	Other Vehicles	5
Transformers and related equipment	20	Office equipment	5
Mains	20	Furniture and Fitting	10
Housing	30	Radios	5
Street Lights	20	Robots	10
		Other items of plant and equipment	3
Community			
Buildings	30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

In 2009/2010 the requirements of GRAP17 were not complied with as follows:

- Review of useful life of items of property, plant and equipment recognized in the annual financial statements.
- Review of depreciation method applied to property, plant and equipment recognized in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognized in the annual financial statements

The council has appointed MAMS to ensure that GRAP 17 is fully complied with by the end June 2011 (see note 10).

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

5. FINANCIAL INSTRUMENTS

5.1 Investments

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2 Cash and cash equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

5.3 Debtors

Debtors are recognized at fair value less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between that asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognized in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorization of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

5.4 *Borrowings and other financial liabilities*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not hold loans for trading purposes. Long term borrowings are utilized solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

6. INVESTMENT PROPERTIES

Investment property consists of timber plantations which has been leased to Mondi Forest. Investment property is recognized at its initial cost and revalued annually by a recognized professional valour to net realizable open market value for existing use. The carrying value of the property is adjusted to the revalued amount and the resultant surplus or deficit is credited or debited to the revaluation reserve. Impairment losses will be treated as a revaluation decrease to the extent that the impairment loss does not exceed the revaluation surplus for that same asset. Impairment losses over and above the revaluation surplus will be expensed to the statement of financial position.

7. INVENTORIES

Inventories are initially recognized at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct cost are accumulated for each separately identifiable development. Cost also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

9. TRADE CREDITORS

Trade creditors are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method..

10. REVENUE RECOGNITION

10.1 Revenue from exchange transactions

Services charges relating to electricity are based on consumption. Meters are read monthly and recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

11. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

12. Leases

12.1 Finance leases

Leases of property plant and equipment are treated as finance leases if the lease transfers substantially all the risk and rewards incidental to ownership of the relevant asset to the municipality. Where a lease meets the definition of a finance lease, it is recognized in the statement of financial position as an asset and liability at the commencement of the lease term.

12.2 Operating lease

Lease payments in terms of operating lease agreements are recognized as an expense in the statement of financial performance

13 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

14. TAX

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**UMVOTI MUNICIPALITY
ACCOUNTING POLICIES
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

18.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

ACCOUNTING OFFICERS REPORT TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

THE CHALLENGE OF CHANGE

It has been a very challenging year for the Umvoti Municipality, Especially in regard to implementation of the provisions of the Municipal Property Rates Act. The economic recession has negatively affected the community's ability to pay and this is reflected in the financial results.

It is commendable that, in my opinion as Municipal manager, the management team has excelled in ensuring that the Umvoti Municipality has delivered services to the community under very trying circumstances. The results for the year under review are set out as follows.

1. Financial Statement Ratios

	2010	2009
	R	R
Personnel Costs	22%	26%
Remuneration of Councillors	4%	5%
Bad Debts	3%	3%
Depreciation	14%	16%
Repairs And Maintenance	3%	4%
Bulk Purchases: Electricity	18%	18%
General Expenses	24%	16%
Contracted Services	10%	9%
Grants and Subsidies paid	2%	3%
Total Expenses	100%	100%

2. POST BALANCE SHEET EVENTS

Nil

ACCOUNTING OFFICERS REPORT TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. RECONCILIATION OF BUDGET TO ACTUAL RESULTS

Operating Budget

	R
Budget Deficit Before Appropriations	(1 117 473)
Revenue Variances	5 297 704
Expense Variances - Personnel Costs	1 992 014
- Councilor's Remuneration	(43 455)
- General Expenses	(7 810 134)
- Electricity Purchases	660 270
- Repairs And Maintenance	610 922
- Depreciation	186 172
- Contracted Services	12 959 345
- Contributions doubtful debts	(486 545)
-Grants and subsidies	816 422
-Interest paid	(24 269)
Actual Surplus Before Appropriations	2 940 973

The positive revenue variances are explained in annexure "E1" to the financial statements

Major variations from the expenditure budget are explained in annexure "E 1" to the financial statements.

Capital Budget

DESCRIPTION	BUDGET	ACTUAL	VARIANCE
Buildings	9 045 000	366 463	(8 678 537)
Infrastructure	12 482 120	18 230 658	5 748 538
Community Assets	6 399 442	1 800 765	(4 598 677)
Heritage Assets	25 000		(25 000)
Housing	29 848 031	1 834 444	(28 013 587)
Other	5 425 700	1 487 081	(3 938 619)
Total	63 225 293	23 719 411	(39 505 882)

The savings are mainly due to delays in planning or arranging funding. The excess on office and accounting machines was mainly due to urgent replacement of machines that could not be repaired due to unforeseen circumstances.

**ACCOUNTING OFFICERS REPORT
TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

4. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Speaker, Executive Committee and Councillors, the chief financial officer, Manager Corporate Services, Manager Engineering Services and staff in general, our financial consultant Mr S.D Van Der Merwe and in particular to the local representatives of the Auditor General for their support and willingness to go the extra mile during the 2009/2010 financial year, which proved to be a very difficult year for all..



S N Malinga
Municipal Manager
Umhloti Municipality

UMVOTI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net assets		184,910,152	178,158,270
Housing Development Fund	1	8,630,505	7,952,445
Revaluation reserve		46,824,481	43,036,121
Accumulated Surplus	2	129,455,166	127,169,704
Non - current liabilities		8,113,363	
Long term liabilities	3	207,460	
Post Retirement Benefits	5	6,791,000	
Non - current provisions	5	1,114,903	
Current liabilities		18,251,790	21,815,252
Consumer deposits	4	1,769,005	1,613,727
Provisions	5	456,097	330,187
Creditors	6	10,054,377	8,359,706
Unspent conditional grants and receipts	7	5,656,584	11,511,632
Value Added Tax	8	208,967	
Short term loans	9		
Bank overdraft			
Current portion of long term liabilities	3	106,760	
Total Net Assets and Liabilities		<u>211,275,305</u>	<u>199,973,522</u>
ASSETS			
Non - current assets		152,318,534	139,142,982
Property , plant and equipment	10	105,432,372	96,026,125
Investment property	11	46,824,481	43,036,121
Investments	12		
Long term receivables	13	61,681	80,736
Current assets		58,956,771	60,830,540
Inventory	14	1,312,017	1,196,314
Consumer debtors	15	15,018,211	4,847,932
Other debtors	16	2,372,808	2,547,224
Current portion of long term debtors	13	21,422	23,655
Value added tax	8		321,706
Call investment deposits	17	38,767,919	50,133,323
Bank balances and cash	18	1,464,394	1,760,386
Total Assets		<u>211,275,305</u>	<u>199,973,522</u>

**UMVOTI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010**

BUDGET			ACTUAL		
2009 R	2010 R	REVENUE	Note	2010 R	2009 R
10,888,147	16,842,553	Property rates	19	21,027,747	11,058,100
1,020,000	1,000,000	Property rates - penalties imposed and collection charges		1,084,832	1,363,962
20,734,623	32,708,900	Service charges	20	32,824,518	24,378,643
2,541,330	2,710,850	Rental of facilities and equipment		2,826,926	2,651,192
3,600,000	2,500,000	Interest earned - external investments		3,279,469	5,871,776
267,920	314,000	Interest earned - outstanding debtors		191,989	292,243
559,000	604,000	Fines		434,462	674,905
1,039,824	1,625,300	Licences and permits		1,655,984	1,537,367
690,000	760,000	Income for agency services		817,162	757,111
15,055,000	42,244,901	Government grants and subsidies	21	42,746,290	40,512,529
58,300	64,400	Other income	22	398,359	326,962
100,000	700,000	Gain on disposal of property, plant and equipment		84,668	39,667
		Reversal of Bad Debt Provision	2	7,928,454	
56,564,144	102,074,704	Total Revenue		115,300,862	89,464,457
		EXPENDITURE			
21,599,834	24,882,879	Employee related costs	23	22,890,865	18,981,673
4,295,868	4,304,584	Remuneration of Councillors	24	4,348,039	3,926,073
		Retirement and long service benefits	5	8,112,000	
850,000	2,950,000	Bad debts	2	3,436,545	2,269,238
		Collection costs			
9,677,797	14,853,400	Depreciation		14,667,228	11,416,692
3,523,278	4,046,339	Repairs and maintenance		3,435,417	3,050,889
		Interest paid	25	24,269	
11,000,000	19,300,000	Bulk purchases	26	18,639,730	12,856,494
6,413,400	23,428,549	Contracted services	28	11,280,581	6,402,827
1,028,000	2,350,000	Grants and subsidies paid	27	1,533,578	2,182,653
11,550,957	17,176,426	General expenses	28	23,969,086	10,804,859
		Loss on disposal of property, plant and equipment			
69,939,134	113,292,177	Total Expenditure		112,337,336	71,871,198
(13,374,990)	(11,217,473)	Surplus (Deficit) for the year		2,963,524	17,593,259

Refer to Appendix E .1 for explanation of variances

UMVOTI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund (note 1) R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2009	7,952,445	-	-	-	43,036,121	121,837,376	172,825,942
Adjustment - previous year conditional grant allocation	7,952,445	-	-	-	43,036,121	5,332,327	5,332,327
Balance at 30 June 2009 restated	(4,868)	-	-	-	-	127,169,703	178,158,269
Surplus(deficit) for the year	682,828	-	-	-	-	2,968,392	2,968,392
Transfer to Housing Development Fund	-	-	-	-	-	(682,928)	-
Farms:- Revaluation of Plantations	-	-	-	-	3,788,360	-	3,788,360
Balance at 30 June 2010	8,630,505	-	-	-	46,824,481	129,455,167	184,910,153
Balance at 30 June 2008	6,337,969	8,919,141	14,885,577	55,885,783	43,573,549	26,168,093	155,770,112
Surplus(deficit) for the year	(2,433)	(2,558,817)	(765,330)	1,324,200	-	17,595,692	17,593,259
Property/Plant and equipment purchased ex Capital Replacement Reserve	-	-	-	24,188,572	-	2,558,817	-
Transfer	-	-	-	-	-	(558,870)	-
Capital grants used to purchase PPE	1,616,909	-	-	-	-	(24,188,572)	-
Transfer to Housing Development Fund	-	-	-	-	(537,428)	(1,616,909)	-
Farms:- Revaluation of Plantations	-	-	-	(7,698,542)	-	9,855,687	(537,428)
Offsetting of Depreciation	-	-	-	12,163,102	-	-	-
Balance at 30 June 2009	7,952,445	6,360,324	12,163,102	73,700,013	43,036,121	29,813,938	172,825,943

UMVOTI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		93,671,377	77,775,698
Cash paid to suppliers and employees		(85,087,717)	(56,516,362)
Cash generated from (utilised in) operations	29	8,583,660	21,259,336
Interest received		3,279,469	5,871,776
Interest paid	25	(24,269)	
NET CASH FROM OPERATING ACTIVITIES		11,838,860	27,131,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(24,073,476)	(29,677,153)
Purchase of housing infrastructure			
Proceeds on disposal of property, plant and equipment		84,667	
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		19,055	138
(Increase) decrease in non - current investments			
(Increase) decrease in call investments			
NET CASH FROM INVESTING ACTIVITIES		(23,969,754)	(29,677,015)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)		314,220	
Increase (decrease) in consumer deposits		155,278	41,093
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		469,498	41,093
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(11,661,396)	(2,504,810)
Cash and cash equivalents at the beginning of the year		51,893,709	54,398,519
Cash and cash equivalents at the end of the year	30	40,232,313	51,893,709
		11,661,396	2,504,810

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
1 HOUSING DEVELOPMENT FUND		
Unappropriated Surplus	8,519,085	7,941,025
Loans extinguished by Government on 1 April 1996	375,980	375,980
Contribution to cost of services - 492 sites	<u>(384,560)</u>	<u>(384,560)</u>
	<u>8,510,505</u>	<u>7,932,445</u>
The Housing Development Fund is represented by the following assets and liabilities:		
Property, plant and equipment (see note 10)		
Housing selling scheme loans (see note 13)	84,887	90,888
Housing rental and instalment debtors (see note 15)	<u>127,889</u>	<u>159,277</u>
	<u>8,417,749</u>	<u>7,702,280</u>
Bank and cash	8,630,505	7,952,446
Sub - total	<u>8,630,505</u>	<u>7,952,446</u>
Creditors	<u>8,630,505</u>	<u>7,952,446</u>
Total Housing Development Fund Assets and Liabilities	<u>8,630,505</u>	<u>7,952,446</u>
2 ACCUMULATED SURPLUS		
2.1 The following interest reserves are ringfenced within the Accumulated Surplus:		
Capital Replacement Reserve		
Balance at 30 June 2009	6,380,324	8,919,141
Transfer		
Property, Plant and Equipment purchased ex Capital Replacement Reserve	(5,084,907)	(2,558,817)
Reversal of Provision for Bad Debt		
	<u>1,275,417</u>	<u>6,360,324</u>
Balance at 30 June 2010	<u>1,275,417</u>	<u>6,360,324</u>
Government Grant Reserve		
Balance at 30 June 2009	73,700,013	55,085,783
Capital grants used to finance Property, Plant and Equipment	12,919,478	24,188,572
Transfer		
Offsetting of Depreciation	(9,853,115)	(7,888,542)
Balance at 30 June 2010	<u>76,762,376</u>	<u>73,700,013</u>
Capitalisation Reserve		
Balance at 30 June 2009	12,163,102	14,885,577
Transfer		
Offsetting of Depreciation	(1,730,730)	(1,957,146)
Balance at 30 June 2010	<u>10,432,366</u>	<u>12,183,102</u>
Other reserves	<u>40,982,456</u>	<u>34,946,285</u>
TOTAL ACCUMULATED SURPLUS	<u>129,452,616</u>	<u>127,189,704</u>
2.2 Accumulated Surplus		
Balance previously reported	121,837,378	
Surplus(deficit) for the year	2,983,524	
Transfer to Housing Development Fund	(878,060)	
Transfer from Unspent Conditional Grants (refer Appendix F)	<u>5,332,327</u>	
	<u>129,455,167</u>	
During prior years Unspent Conditional Grants was overstated due to: Incorrect allocation of grant funded expenditure, and the VAT recovery in respect of Input VAT on grant funded projects was not transferred to income (refer National Treasury MFMA circular no.48 dated 2 March 2009)		
With reference to GRAP 3 the opening balances have been restated. The transactions could not be restated as the system could not be changed to rectify transactions in history		
2.3 Change in Accounting Estimate		
Reversal of Bad Debt Provision	<u>(7,928,454)</u>	
Doubtful Debt Provision		
Balance at 1 July 2009	8,138,372	
Write Off 2009/2010	(449,203)	
Contribution 2009/2010	3,436,548	
Reversal of Bad Debt Provision	<u>(7,928,454)</u>	
	<u>3,156,260</u>	
3 LONG TERM LIABILITIES		
Finance leases	314,220	
Current portion of long term liabilities	<u>(106,760)</u>	
Long term portion	<u>207,460</u>	
4 CONSUMER DEPOSITS		
Electricity	1,789,005	1,613,727
	<u>1,789,005</u>	<u>1,613,727</u>
Guarantees held in lieu of electricity deposits (R 349900)		

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5 PROVISIONS AND DEFINED BENEFITS		
5.1 Provisions Current		
Performance bonus	250,000	250,000
Provision for Long Service awards	206,097	80,187
	456,097	330,187
The movement in provisions is reconciled as follows:		
Balance at beginning of year	330,187	152,793
Contributions to provisions	206,097	306,187
Expenditure	(80,187)	(128,793)
Transfer from non - current provisions		
Balance at end of year	456,097	330,187
5.2 Defined Benefit Obligations - Long Service Awards		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of year		
Current service cost	125,000	
Interest cost	115,000	
Amortisation - unrecognised net (gain) loss	(1,000)	
Recognition of previously unrecognised defined benefit liability	1,082,000	
	<u>1,321,000</u>	
Less: transferred to current provisions	(206,097)	
Balance at end of year	<u>1,114,903</u>	
Employees receive additional leave in respect of long service awards, as follows:		
10 years service	10 days	
15 years service	20 days	
20 years service	30 days	
25 years service	30 days	
30 years service	30 days	
35 years service	30 days	
40 years service	30 days	
45 years service	30 days	
The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by IAS 19.		
The economic assumptions used in assessing the accounting provisions were as follows:		
Discount rate	0	
Inflation rate	0	
Salary increase rate	0	
5.3 Retirement Benefits		
Post employment medical benefits		
The Municipality operates on 2 accredited medical aid schemes namely Key Health and Bonitas.		
Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Alexander Forbes Health (Pty) Ltd carried out a statutory valuation on 30 June 2010		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	0	
Health care cost inflation	0	
Salary inflation	0	
Number of continuation members	21	
Eligible in - service members	Nil	
A reconciliation of the accrued liability at 30 June 2010 is set out below:		
Balance at beginning of year		
Interest cost	603,000	
Expected employer benefit payments	(358,000)	
Actuarial (gain) loss	12,000	
Recognition of previously unrecognised defined benefit liability	6,534,000	
Balance at the end of the year	<u>6,791,000</u>	

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
6 CREDITORS		
Trade creditors	3,785,524	2,551,964
Payments received in advance	1,418,412	2,087,241
Retention	2,632,469	1,830,425
Staff leave	1,127,973	938,901
Deposits other	1,083,498	951,175
Other creditors	6,503	
	10,054,377	8,359,706
The fair value of trade and other creditors approximates their carrying value.		
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional grants from other spheres of government(see note 21)	5,858,584	11,511,632
7.2 Other conditional receipts		
Public contributions	0	-
Total conditional grants and receipts	5,858,584	11,511,632
Refer Appendix F		
These amounts are invested in a ring - fenced investment until utilised.		
8 VAT		
VAT refund due	450,730	820,805
Vat provision	(659,697)	(499,099)
VAT is payable on the receipts basis	(208,967)	321,706
The vat provision represents vat raised (Consumer Debtors) not yet received		
8.1 The Municipality has appointed MaxProf (PTY) LTD to conduct a vat audit and is awaiting the outcome thereof		
9 SHORT TERM LOANS	0	-

10 PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	18,217,048	4,743,183	13,473,865	17,850,585	4,485,282	13,365,303
Infrastructure	127,894,845	64,509,972	63,384,873	109,661,860	53,030,394	56,631,506
Community	17,507,221	4,047,680	13,459,541	15,706,457	3,347,507	12,358,950
Heritage	314,568	38,559	276,029	314,568	27,977	286,611
Housing	16,121,540	7,078,760	9,042,880	14,287,196	6,437,490	7,849,706
Leased Assets	354,065	49,176	304,889			
Other	17,578,622	12,088,327	5,490,295	16,093,888	10,579,820	5,514,048
Total	197,898,028	92,555,657	105,342,372	173,914,554	77,898,430	96,026,124

10 Property, plant and equipment (continued)

	2010			2009		
	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Total
Land and Buildings		194,599		13,385,304	171,863	13,473,864
Infrastructure	72,122,370	13,239,330		(15,490,863)	4,993,454	63,384,873
Community	8,955,241	1,670,633		2,403,710	130,131	13,458,542
Heritage	1,764,703			(1,478,092)		276,029
Housing		1,834,444		7,849,706	(641,270)	9,042,880
Leased Assets		354,066			(49,176)	304,890
Other	12,183,814	1,484,853		(6,669,765)	(1,508,507)	5,490,295
Total	96,026,126	18,778,024	-	(0)	5,295,447	105,342,372

	2009			2009		
	Opening Balance	Additions	Disposals	Transfers	Work-in-progress	Total
Land and Buildings						
Infrastructure	61,220,428	10,295,500			8,561,109	72,122,370
Community	10,455,868	174,473			175,505	9,955,241
Heritage	1,778,137				(13,434)	1,764,703
Housing						
Other	4,313,230	8,926,991			543,578	12,183,814
Total	77,765,663	19,396,964	-		10,280,192	96,026,126

Refer to Appendix B for more detail on property, plant and equipment

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been calculated for each category of infrastructure and community assets using global historical costs recorded in the accounting records.

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11 INVESTMENT PROPERTY		
Valuation	<u>46,824,481</u>	<u>43,036,121</u>
Carrying value at beginning of Financial Year	43,036,121	43,573,549
Revaluation of timber	3,788,360	(537,428)
Carrying value at end of Financial Year	<u>46,824,481</u>	<u>43,036,121</u>
<p>The timber plantations reflect their present value as prepared by an independent valuer being Mr A Daugherty.</p> <p>The value of immature timber plantations has been determined by applying the Faustmann Formula which is a widely accepted method of determining the value of a plantation at any age from establishment to maturity.</p> <p>The present prices for the various categories of timber have been applied, and the present day costs of harvesting, transport and other silvicultural operations as determined by the Forest Economics Services who monitor the cost of forestry operations on over 70% of timber plantations in South Africa.</p>		
12 INVESTMENTS		
Long term	<u>0</u>	<u>-</u>
13 LONG TERM RECEIVABLES		
Housing selling scheme loans	72,141	90,888
Land sales	<u>10,982</u>	<u>13,503</u>
	83,103	104,391
Less: Current portion transferred to current receivables	<u>(21,422)</u>	<u>(23,655)</u>
	<u>61,681</u>	<u>80,736</u>
<p>HOUSING AND LAND SALE LOANS THESE LOANS WERE GRANTED IN ACCORDANCE WITH THE NATIONAL HOUSING REGULATIONS. THE MONTHLY INSTALMENTS ARE SUBSIDISED IN TERMS OF PREVIOUS REGULATIONS.</p> <p>Land sales THESE SUBSIDISED LOANS WERE GRANTED BY THE COUNCIL TO INDIVIDUALS TO ASSIST THEM TO PURCHASE DWELLINGS.</p>		
14 INVENTORY		
Consumable stores at cost	384,118	345,075
Maintenance materials at cost	554,171	365,990
Spare Parts at authorised value	<u>373,728</u>	<u>485,249</u>
	<u>1,312,017</u>	<u>1,196,314</u>
<p>Provision has been made for the write off of the short fall reflected in the year end physical stock count (R 49 070). This will be referred to Council for a decision.</p>		

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15 CONSUMER DEBTORS		
Balances at 30 June 2010		
	Gross balance	Provision for doubtful debts
Service debtors	1,675,256	(673,774)
Rates	11,333,218	-
Electricity	3,542,883	(1,424,918)
Housing	623,419	(480,874)
Other	997,697	(574,694)
Total	18,172,471	(3,154,260)
		15,018,211
Balances at 30 June 2009		
Service debtors	1,358,848	(913,560)
Rates	8,481,130	(6,158,733)
Electricity	2,252,597	(893,308)
Housing	159,277	-
Other	751,451	(369,770)
Total	12,983,303	(8,135,371)
		4,847,932
Rates: Ageing		
Current (0 - 30 days)	1,304,083	1,017,575
31 - 60 days	802,429	505,662
61 to 90 days	641,187	428,843
91 - 120 days	420,433	352,318
121 days and over	8,165,104	8,158,733
Total	11,333,218	8,481,131
Electricity and other : Ageing		
Current (0 - 30 days)	3,032,592	2,141,212
31 - 60 days	472,933	237,033
61 to 90 days	242,328	90,236
91 - 120 days	173,804	77,051
121 days and over	2,917,600	1,976,641
Total	6,839,255	4,522,173
GRAND TOTAL	18,172,471	12,983,304
Consumer debtors which are less than 3 months past due are not considered to be impaired.		
16 OTHER DEBTORS		
Accrued interest on investments	381,617	337,311
Uthukela Water	407,585	407,585
Government subsidies	1,868,668	1,942,502
Other	124,525	267,412
Total other debtors	2,780,395	2,954,810
Less : Provision for doubtful debts	(407,585)	(407,585)
	2,372,808	2,547,225
The fair value of other debtors approximates their carrying value		
17 CALL INVESTMENT DEPOSITS		
Call and short term deposits with banks	38,787,919	50,133,323
Deposits of R 5 658 584 are ringfenced and relate to unutilised conditional government grants		

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
Current account (Primary bank account)		
Abisa Bank - Greytown Branch		
Account number - 4064988800		
Cash book balance at beginning of year	1,758,881	212,160
Cash book balance at end of year	1,462,164	1,758,561
Bank statement balance at beginning of year	2,998,326	1,033,017
Bank statement balance at end of year	9,085,637	2,998,326
Summary of cash and bank balances		
Primary Bank Account	1,462,164	1,758,561
Other bank accounts		
Petty Cash	2,230	1,825
	<u>1,464,394</u>	<u>1,760,386</u>
19 PROPERTY RATES		
Actual		
Residential	7,707,650	5,688,773
Commercial	4,690,015	4,130,927
State	3,722,296	1,091,421
Agricultural	3,335,175	
Municipal	425,570	
Other	1,162,018	146,979
Sundry Adjustment	(14,975)	
Total assessment rates	<u>21,027,747</u>	<u>11,058,100</u>
Valuations		
Residential	771,215,004	37,744,478
Commercial	332,764,017	16,801,600
Agricultural	1,334,175,725	
State	254,501,029	5,405,300
Municipal	36,209,005	
Other	132,120,331	494,722
Total property valuations	<u>2,860,985,111</u>	<u>60,248,100</u>
The following are the rate randages that were applied to the valuations in respect of various categories:		
Commercial and State - 1.5 cents in the rand, Agricultural and public service infrastructure 0.25cents		
in the rand, Residential and other 1 cent in the rand. All Residential property owners are exempt		
from paying rates on the first R60 000 of their property value. A 30 % rebate is applicable to		
residential, agricultural and public service infrastructure		
20 SERVICE CHARGES		
Electricity	28,278,393	20,096,049
Refuse removal	4,370,474	4,108,486
Other	177,651	174,108
	<u>32,824,518</u>	<u>24,378,643</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	24,564,624	18,129,237
Clinic subsidy	2,480,945	2,641,399
Museum subsidy	68,000	
Conditional grants utilised to finance property, plant and equipment	12,915,478	19,188,571
Conditional grants utilised to finance operating expenses	2,662,232	563,322
Grant - skills development	55,011	
	<u>42,746,290</u>	<u>40,512,529</u>
Refer Appendix F		
22 OTHER INCOME		
Other income	398,359	326,962
	<u>398,359</u>	<u>326,962</u>

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R	
23 EMPLOYEE RELATED COSTS			
Employee related costs - salaries and wages	18,436,798	15,395,180	
Employee related costs - contributions to UIF, pension and medical costs	3,621,501	3,116,541	
Travel, vehicle, accommodation, subsistence and other allowances	1,521,776	1,345,213	
Housing benefits and other allowances	325,977	435,298	
Overtime payments	469,487	440,185	
Performance bonus			
Service allowance	889,610	740,414	
Sub-total	25,285,149	21,472,831	
Less: Employee costs allocated to Property, Plant and Equipment	(319,370)	(388,433)	
Less: Employee costs included in other expenses	(2,054,914)	(2,102,725)	
Total employee related costs	22,890,865	18,981,673	
There were no advances or loans to employees.			
Remuneration of the Municipal Manager			
Annual remuneration	98,908	261,300	
Performance bonus	0	-	
Car allowance	48,000	108,000	
Housing allowance	20,981	67,585	
Contributions to Medical and Pension Funds	0	-	
	<u>167,887</u>	<u>436,885</u>	
Remuneration of the Chief Financial Officer			
Annual remuneration	209,706	261,026	
Performance bonus	0	-	
Car allowance	157,000	119,000	
Acting Allowance	40,376	34,229	
Housing Allowance	29,337	51,638	
Contributions to Medical and Pension Funds	10,866	-	
	<u>447,285</u>	<u>465,893</u>	
Remuneration of other managers			
30-Jun-2009			
	Corporate	Engineering	Protection
	Services	Services	Services
Annual remuneration	261,100	261,100	261,100
Performance bonus			
Leave pay			
Car allowance	123,205	123,205	123,205
Acting Allowance		2,364	1,182
Housing Allowance	47,359	47,359	47,359
Contributions to Medical and Pension Funds			
	<u>431,664</u>	<u>434,028</u>	<u>432,846</u>
30-Jun-2010			
Annual remuneration	290,719	294,478	298,953
Performance bonus			
Leave pay			
Car allowance	162,000	139,500	162,000
Acting Allowance		52,991	62,769
Housing Allowance	35,255	29,338	33,615
Contributions to Medical and Pension Funds		26,759	
	<u>487,975</u>	<u>543,064</u>	<u>555,338</u>
Remuneration for managers is included under employee related cost.			
24 REMUNERATION OF COUNCILLORS			
Mayor	326,097	287,197	
Deputy Mayor	255,491	414,866	
Speaker	454,466	239,516	
Executive committee members	235,441	240,234	
Councillors	3,078,544	2,744,260	
	<u>4,349,039</u>	<u>3,926,073</u>	
Certain Councillors were underpaid and this will be corrected during the ensuing year. In-kind benefits			
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.			
The Mayor has use of a Council owned vehicle for official duties			
25 FINANCE COST			
Finance leases	24,269	-	
	<u>24,269</u>	<u>-</u>	
26 BULK PURCHASES			
Electricity	18,639,730	12,856,494	
	<u>18,639,730</u>	<u>12,856,494</u>	

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
27 GRANTS AND SUBSIDIES PAID		
Assisted housing		22,988
Grants in lieu of rates		26,597
Indigent support	1,305,664	2,102,084
Widows and Elderly	53,483	
Disabled persons	87,217	
Other	87,214	10,986
	<u>1,533,578</u>	<u>2,182,653</u>
28 GENERAL EXPENSES AND CONTRACTED SERVICES		
28.1 GENERAL EXPENSES		
Advertisements	683,202	587737
Rural area expenses	114,300	88935
Civic honour function	501,996	531332
Anti rabies	432,000	179081
Audit fees	629,090	382458
Cashier shortages and surplus	308	4285
Stores shortages & surpluses	49,070	0
Bank charges	362,889	309011
Delivery cost	3,175	2136
Youth and sports	1,269,683	517033
Women upliftment	305,149	174077
Contingencies		11136
Consultants and contractors		237764
Civic functions	286,242	81580
Disconnections & reconnections	26,129	35598
Community participation	587,828	263058
Departmental services	1,104,663	870340
Delegation fees	724,688	448793
Olaf losses - control measures	26,593	0
Entertainment	41,126	28282
Dept services water and sewer	312,425	143756
Professional drivers permits	295	0
Local economic development programme	497,193	0
Fire breaks		57674
Street signs	4,648	60127
Health campaign	11,830	1288
Insecticide & weedkiller	2,855	44154
Insurance	350,503	531875
Hire of equipment	88,051	15220
Legal fees	870,350	408840
Licences	1,152	1122
Lost and damaged books		5686
Night soil/conservancy	42,694	0
Machinery costs	310,324	214174
Material	191,189	131449
Meter reading	180,393	126741
Medical supplies	39,376	72870
Membership fees	115,528	111050
Pauper burials	152,515	38427
Pruning	29,813	14955
Postage and stamps	190,377	123328
Printing and stationary	408,377	283095
Printing: Drawing office	393	0
Private ordinances and acts	33,087	12560
Publicity	179,557	173565
Ratage		278
Refreshments	76,214	34376
Reference books & periodicals	32,477	18546
Refuse bags	334,821	398598
Photocopier rental	30,818	28813
SECURITY	852,820	754255
SHRUBS & TREES	11,447	4771
SUBSISTANCE & TRAVELING		331
SCHOLAR PATROLS	85,002	60825
TELEPHONE	604,617	534170
TRAINING	279,821	213656
TRANSPORT COSTS	1,883,630	1360900
VALUATION EXPENSES		156279
PHASIWE FARM GRANT EXPS.	142,601	
Rates rebate - impermissible	368,905	
Rates rebate - resid. addition	960,060	
Rates rebate - resid. percent.	1,953,008	
Rates rebate - phase in newly	3,631,340	
Rates rebate - agric and psi -	1,000,131	
Rates rebate - inst.churches,i	1,314,131	
GENERAL EXPENSES	24,628,898	10888294

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
GENERAL EXPENSES CONTINUE		
LESS RECHARGES		
HANDLING CHARGE	(181,924)	(157,468)
TRANSPORT: CAPITAL	(34,932)	(38,587)
TRANSPORT: OPERATING	(443,841)	(399,853)
RECHARGES	(660,697)	(593,886)
ADD		
CONT.LEAVE,BONUS, LONG SERVICE	108,685	510251
TOTAL GENERAL EXPENSES	<u>23,969,086</u>	<u>10804659</u>
28.2 CONTRACTED SERVICES		
Consultants/Contractors	6,151,831	4019387
Grant Exp. MSIG	328,722	34777
Refuse disposal	478,800	170133
Rural electrification	1,430,030	1444281
Valuation expenses	492,083	22630
Interdepartmental monitoring	33,880	526878
Finance Management grant expenditure	922,771	7881
IEC Eshane development grant expenditure	127,102	176859
DTLGA: Corridor development expenses	1,317,351	
TOTAL CONTRACTED SERVICES	<u>11,280,581</u>	<u>6402826</u>
Extraordinary and/or unforeseen expenses	0	-
29 CASH GENERATED FROM OPERATIONS		
Surplus for the year	2,963,524	17,593,269
Adjustment for:		
Prior year		
Depreciation	14,687,228	11,418,694
Gain on disposal of property, plant and equipment	(84,867)	
Contributions to provisions- non-current	7,905,903	
Contributions to provisions - current	125,910	306,187
Contributions to bad debt provision	2,947,343	2,289,238
Change in Accounting Estimate	(7,928,454)	(128,793)
Expenditure ex provisions	(3,279,489)	(5,871,776)
Investment income	24,269	
Interest paid		
Operating surplus before working capital changes	17,341,587	25,584,808
(Increase) decrease in consumer debtors	(5,189,168)	(2,489,573)
(Increase) decrease in other debtors	174,416	(845,049)
Increase (decrease) in conditional grants and receipts	(5,855,048)	(2,415,994)
Increase (decrease) in creditors	1,694,871	1,643,328
Increase (decrease) in Vat	530,873	(104,842)
(Increase) decrease in inventories	(115,703)	(151,818)
(Increase) decrease in current portion of long term debtors	2,233	18,475
Increase (decrease) in provisions	<u>8,583,681</u>	<u>21,259,336</u>
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	1,464,394	1,780,388
Short term deposits	38,767,919	50,133,323
	<u>40,232,313</u>	<u>51,893,709</u>

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
31.1 Contributions to organised local government		
Opening balance		
Council contributions	95,292	95,292
Amount paid - current year	85,292	95,292
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
31.2 Audit fees		
Opening balance		
Current year audit fee	629,090	382,458
Amount paid current year		
Amount paid - previous years		
Balance unpaid (included in creditors)		
31.3 VAT		
Opening balance	820,808	666,017
Current year output VAT	(4,920,072)	(4,211,930)
Current year input VAT	8,810,860	8,490,937
Amount paid - current year	88,725	385,901
Amount refunded by SARS - current	(2,349,589)	(2,510,119)
Amount due by SARS - included in debtors	<u>450,730</u>	<u>820,806</u>
All VAT returns have been submitted by the due date.		
31.4 PAYE and UIF		
Opening balance		
Current year payroll deductions and Council UIF contributions	2,829,687	2,389,309
Amount paid - current year	2,829,687	2,389,309
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
31.5 Pension and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	4,722,828	4,689,571
Amount paid - current year	4,722,828	4,689,571
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
31.6 Councilors arrear consumer accounts		
The following Councilors had arrear accounts outstanding for more than 90 days as at :		
30 June 2010	Total	Outstanding more than 90 days Outstanding less than 90 days
PT Zuma		1,633 306
PT Ngubane		16,169 1,218
PMS Ngubane		31,875
30 June 2009	Total	Outstanding more than 90 days Outstanding less than 90 days
PT Zuma		651

UMVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
32 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	7,200,000	3,185,171
Buildings	5,000,000	514,908
Heritage		
Other		92,048
Housing Development Fund		
Investment properties		
- approved but not yet contracted for		
Infrastructure	14,870,000	16,664,829
Buildings	500,000	5,124,365
Heritage		25,000
Other	7,080,000	4,746,191
Housing Development Fund		25,955,339
Investment properties		
	<u>34,450,000</u>	<u>56,287,851</u>
This expenditure will be financed from		
- capital replacement reserve		3,000,000
- government grants	14,240,000	45,977,812
- own resources	20,201,000	7,310,239
	<u>34,450,000</u>	<u>56,287,851</u>
33 RETIREMENT BENEFIT INFORMATION		
Certain Councilors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2008		
33.1 SUPERANNUATION FUND		
The actuary has advised that, the fund was fully funded and financially sound on the DCF method		
33.2 RETIREMENT FUND		
The actuary has advised the following		
33.2.1 The result of the latest interim valuation was satisfactory		
33.2.2 On the DCF method the funding level has improved and the overall shortfall has decreased. This is partly due to the surcharge that is being paid into the fund to fund the shortfall		
33.2.3 An extension of the surcharge for another 2 years after 2010 will be required to bring the funding level of the fund to 100%		
33.3 Provident Fund		
The actuary is satisfied that the assets of the Fund are appropriate given the liabilities		
33.4 State Pension Fund		
33.4.1 The Fund is 96% funded at the current valuation date		
33.4.2 The actuary is satisfied that no additional action is required at this stage to rectify the situation		
34 CONTINGENT LIABILITIES		
Three matters are currently on the roll of the high court and one is at arbitration stage to date values of cost is not known the estimated cost for all matters amounts to R 350,000.00		
34.1 Dispute of sale in execution Mr Mkhize		
35 RELATED PARTY DISCLOSURE		
Zondac Project Consultants (Councilor SV Zondi)		
PG Mavundla Projects		
36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
36.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance		
Approved by Council or condoned		1,932,063
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation		<u>1,932,063</u>
36.2 Irregular expenditure subject to investigation	3,088,899	
Investigations will be conducted and this matters will be reported to the SAPS	<u>3,088,899</u>	
36.2 Deviation from SCM policy approved by Accounting Officer awaiting ratification by Council	420,000	
	<u>420,000</u>	

UNIVOTI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

37 Operating revenue and expenditure variances compared to annual budget					
REVENUE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances
Property rates	21,027,747	16,842,550	4,185,194	24.85	Rates rebates reflected as general expenses
Property rates - penalties imposed and collection charges	1,084,832	1,000,000	84,832	8.48	
Service charges	32,824,518	32,708,500	116,018	0.35	
Rental of facilities and equipment	2,826,976	2,710,650	116,276	4.29	
Interest earned - external investments	3,279,469	2,500,000	779,469	31.18	Interest rates higher than expected
Interest earned - outstanding debtors	191,989	314,000	(122,011)	(38.86)	
Fines	434,462	604,000	(169,538)	(28.07)	Fines less than expected
Licences and permits	1,655,984	1,625,300	30,684	1.89	
Income for agency services	817,162	760,000	57,162	7.52	Under budgeted
Government grants and subsidies	42,746,290	42,244,501	501,789	1.19	
Other income	390,359	64,400	333,959	(81.90)	Over budgeted
Gain on disposal of property, plant and equipment	84,658	700,000	(615,332)		
Reversal of Bad Debt Provision	7,928,454				
Total Revenue	115,300,952	102,074,764	13,226,188	5.19	
EXPENDITURE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances
Employee related costs	22,890,805	24,882,879	(1,992,074)	(8.01)	Vacant post and the actual salary increase less than budgeted for
Remuneration of Councilors	4,348,039	4,304,584	43,455	1.01	
Bad debts	3,436,545	2,950,000	486,545	16.49	
Retirement and long service benefits	0				
Depreciation	14,657,228	14,853,480	(196,252)	(1.25)	Over budgeted for
Repairs and maintenance	3,435,417	4,046,338	(610,921)	(15.10)	
Interest paid	24,259		24,259		Eskom price increase less than expected
Bulk purchases	16,639,730	19,300,000	(2,660,270)	(3.42)	
Contracted services	11,280,591	23,428,549	(12,147,958)		Expenditure funded from grants incorrectly death with in operating budget
Grants and subsidies paid	1,533,578	2,350,000	(816,422)		
General expenses	23,969,086	17,176,426	6,792,660	39.55	Rates rebates reflected under general expenses and under budget on various other votes
Loss on disposal of property, plant and equipment					
Total Expenditure	104,225,338	113,292,177	9,066,839	(8.00)	
Surplus (Deficit) for the year	11,075,614	(11,217,473)	22,293,087	198.78	

UNIVOTI LOCAL MUNICIPALITY

38 Acquisition of Property Plant and Equipment variances compared to annual budget

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances
LAND AND BUILDINGS							
Land							
Buildings	194,620	171,003	369,493	8,745,000	(8,375,517)	(95.11)	(sales from Treasury vehicles) no additional officers to be considered in planning stages interest being waived most
Survey fees				300,000	(300,000)	(100.00)	
	194,620	171,003	369,493	9,045,000	(8,675,517)	(95.92)	
INFRASTRUCTURE							
Construction works - Roads	6,935,690	4,752,610	16,688,315	7,339,120	7,349,395	100.14	Any funding and savings utilized to cover additional work
Construction works - Storm Water	1,350,517		1,350,517	675,000	675,517	100.98	Any funding and savings utilized to cover additional work
Construction works - Premises		240,838	240,838	50,000	190,838	381.68	Project not implemented
Construction works - Bus and Taxi Rank			240,838	250,000	(9,162)	(3.67)	Contract not made on carrying electricity losses during the year
Electricity reticulation	1,205,186		1,205,186	4,100,000	(2,894,814)	(70.61)	winter review
Water reticulation	28,669		28,669	30,000	(1,331)	(4.44)	
Streetscapes							
Roads							
Road Name Signs	13,219,332	4,982,453	18,222,785	12,462,120	5,760,665	46.37	Consultation patients still on going
COMMUNITY ASSETS							
Cemetery	84,696		84,696	500,000	(415,304)	(81.00)	Investigations on going for extending cemetery
Public Confidence	121,896		121,896	250,000	(128,104)	(51.20)	Savings effected
Community Halls	477,806		477,806	510,000	(32,194)	(6.31)	Savings added on construction works
Gardens	786,276		786,276	1,974,442	(1,188,166)	(60.19)	Savings added on construction works
Sports Fields	203,837		203,837	2,350,000	(2,146,163)	(91.33)	Savings added on construction works
Parks and Gardens	1,670,624	130,131	1,800,755	755,000	(1,045,755)	(139.18)	
HERITAGE ASSETS							
Museum exhibits				25,000	(25,000)	(100.00)	Guest funding not secured
Works of Art							
HOUSING							
Housing	1,834,444		1,834,444	29,844,031	(28,013,587)	(93.85)	Reflected under capital budget in error
	1,834,444		1,834,444	29,844,031	(28,013,587)	(93.85)	
OTHER ASSETS							
Air conditioners	134,207		134,207	204,000	(69,793)	(34.21)	Additional buildings not built
Furniture	104,664		104,664	184,700	(80,036)	(43.33)	Additional buildings not built
Office machines	151,196		151,196	284,000	(132,804)	(47.11)	Leasing machines instead of buying resulted in savings
Tools	15,427		15,427	110,000	(94,573)	(84.61)	Currently assessing replacement needs
Machinery	91,439		91,439	734,000	(642,561)	(87.41)	Computer not purchased due to budget constraints
Vehicles and equipment	546,005		546,005	2,396,000	(1,849,995)	(77.20)	Budget provision of R1000000 was made for a greater not purchased
Radios				100,000	(100,000)	(100.00)	Provision made for fencing the extended portion of the cemetery
Security measures	435,937		435,937	1,400,000	(964,063)	(68.86)	Fencing has resulted for transporting refuse
Bins and Containers	265,005		265,005	120,000	(145,005)	(120.84)	
Turned Lamps	1,839,018		1,839,018	5,425,700	(3,586,682)	(62.41)	
Total	18,776,927	5,762,447	24,539,374	63,235,293	(38,695,919)	(61.02)	

APPENDIX A
UMVOTI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2009/06/30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2010/06/30 R	Carrying value of property plant & equip. R
Lease - Technologies Acceptances	1	2013		354,065	(39,845)	314,220	304,889
TOTAL			0	354,065	(39,845)	314,220	304,889

APPENDIX B
UNIVOT LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

Description	Cost/Revaluation			Accumulated Depreciation			Carrying Value
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Disposals R	
LAND AND BUILDINGS							
Land	10,502,477				10,502,477		10,502,477
Buildings	6,860,323	194,600	171,863		7,226,786		2,594,837
Survey fees	487,785				487,785		376,550
	17,850,585	194,600	171,863	0	18,217,048	0	13,473,864
INFRASTRUCTURE							
Construction works - Roads	71,072,623	9,935,898	4,752,816		85,761,137		49,146,729
Construction works - Storm Water	3,884,402	1,350,577			5,234,979		2,577,547
Construction works - Pavements	6,010,400	0	240,838		6,254,237		320,277
Construction works - Bus and Taxi Rank	6,796,482				6,796,482		1,892,739
Electricity reticulation	20,776,667	1,926,188			22,702,855		9,318,147
Water reticulation	95,424				95,424		5,987
Streetslights	865,385	26,668			892,053		770,785
Roads	1,000				1,000		0
Road Name signs	156,477				156,477		0
	109,881,660	13,239,331	4,993,454	0	127,894,645	0	63,384,673
COMMUNITY ASSETS							
Camelary	2,050,771	64,596			2,115,367		1,641,029
Public Convenience	512,621	137,628			650,249		342,571
Community Halls	7,930,703	477,896	130,131		8,538,730		6,330,964
Crickets	1,041,482	786,276			1,827,758		2,083,672
Sports Fields	3,005,904	203,837			3,209,742		2,799,329
Parks and Gardens	261,976				261,976		261,976
	15,706,457	1,670,634	130,131	0	17,507,221	0	13,469,541
HERITAGE ASSETS							
Museum exhibits	632				632		0
Works of Art	312,958				312,958		276,028
	314,588				314,588		276,028
HOUSING							
Housing	14,287,196	1,834,444			16,121,640		9,042,880
	14,287,196	1,834,444	0	0	16,121,640	0	9,042,880
OTHER ASSETS							
Air conditioners	264,837	134,287			399,124		192,667
Furniture	1,416,186	104,664			1,520,850		483,619
Office machines	3,508,854	157,196			3,666,050		483,619
Tools	1,665,577	15,427			1,681,004		158,579
Machinery	777,292	91,438			868,731		141,975
Vehicles and equipment	5,565,403	546,005			6,111,408		2,988,342
Radios	204,012				204,012		15,893
Security measures	995,296	435,937			1,431,233		974,481
Bins and Containers	1,696,318				1,696,318		1,056,242
Leased Assets		354,065			354,065		304,889
	16,093,066	1,839,019	0		17,932,085		5,795,384
Total	173,914,554	18,778,027	5,993,447	0	197,998,028	0	105,432,311

APPENDIX C

UMVOTI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost/ Revaluation					Accumulated Depreciation				
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	Carrying Value R
Executive and Council	3,210,222	590,249			3,800,471	1,887,213	421,979		2,109,192	1,691,279
Finance and Admin	41,887,180	1,778,906	171,863		43,837,948	13,385,836	1,448,627		14,834,463	29,003,485
Planning and Development	188,976	1,326,048			1,515,024	147,858	30,388		178,246	1,336,778
Health	902,254	2,499			904,753	656,458	32,261		688,719	216,034
Community & Social Services	4,910,785	271,617	130,131		5,312,532	2,080,009	195,048		2,275,058	3,037,474
Public Safety	1,289,151				1,289,151	1,164,940	33,454		1,198,394	90,757
Sport and Recreation	2,126,161	525,229			2,651,390	1,375,504	126,013		1,501,517	1,149,873
Environmental Protection	5				5	5			5	0
Waste Management	4,138,789	131,850			4,286,739	1,336,877	590,703		1,927,580	2,341,159
Road Transport	89,125,561	12,158,886	4,993,454		106,277,900	39,787,073	10,774,624		50,561,697	55,716,203
Electricity	24,955,471	1,954,472			26,909,943	15,382,320	923,223		16,315,543	10,594,400
Other	1,182,000	38,172			1,220,172	874,336	90,907		965,243	254,929
	173,914,555	18,778,027	5,295,447	0	197,988,028	77,888,429	14,667,228	0	92,555,657	105,432,372

APPENDIX D

**UMVOTI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010**

2009	2009	2009		2010	2010	2010
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
54,384,484	24,886,770	29,497,714	Executive and Council	66,585,648	33,555,610	33,030,038
9,218,323	5,261,973	3,956,350	Finance and Admin	6,886,697	12,624,918	(5,738,221)
27,914	232,115	(204,201)	Planning and Development	1,585,906	2,752,410	(1,166,504)
2,641,398	2,524,163	117,235	Health	2,480,945	2,773,992	(293,047)
124,238	1,476,311	(1,352,073)	Community & Social Services	186,044	1,779,695	(1,593,651)
33,828	618,834	(585,006)	Housing	31,293	1,140,473	(1,109,180)
725,674	4,471,323	(3,745,649)	Public Safety	478,913	5,934,720	(5,455,807)
31,386	2,667,093	(2,635,707)	Sport and Recreation	26,088	3,292,567	(3,266,479)
		-	Environmental Protection			-
4,108,486	5,603,109	(1,494,623)	Waste Management	4,370,474	6,293,550	(1,923,076)
2,243,260	10,871,572	(8,628,312)	Road Transport	2,427,439	13,772,860	(11,345,421)
20,096,049	17,519,228	2,576,821	Electricity	28,276,393	25,507,553	2,768,840
1,836,153	1,745,443	90,710	Other	1,965,024	2,908,990	(943,966)
95,471,193	77,877,934	17,593,259	Sub - total	115,300,862	112,337,338	2,963,524
95,471,193	77,877,934	17,593,259		115,300,862	112,337,338	2,963,524

ANNEXURE



**APPENDIX B
LUNYOTI MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA ACT 36 OF 2003
FOR THE YEAR ENDED 30 JUNE 2010**

Description	Name of organ of State	Unspent balance at 1 July 2009	Adjustment previous year	Received 2009/2010	Expenditure 2009/2010	Transfer 2009/2010	Unspent balance at 30 June 2010	Grants delayed withdrawal	Reason for delayed withdrawal funds	Compliance with grant conditions YES/NO	Reason for non-compliance
Grants - general	Unspecified Department of Traditional and Local Government Affairs	160					160	N/A		YES	
NSIS grant	Department of Traditional and Local Government Affairs	250,000					250,000	N/A		YES	
M/G	Department of Traditional and Local Government Affairs	4,291,948	(3,818,987)	8,351,187	-8,197,142		525,030	N/A		YES	
Sport and recreation	Department of Traditional and Local Government Affairs	161,894				-161,894	0	N/A		YES	
Cemetery grant	Department of Traditional and Local Government Affairs	50,000	(50,000)		-2,791,382	-462,518	0	N/A		YES	
Grant - IDP	National Treasury	3,773,901					4,641	N/A		YES	
Equitable share	Department of Traditional and Local Government Affairs	262,217		750,000	-750,000	-182,742	113,475	N/A		YES	
Grant - water	National Treasury	0					0	N/A		YES	
Facilities Management	Department of Traditional and Local Government Affairs	1,407,100	(1,020,378)		-326,722		150,000	N/A		YES	
Municipal Systems Improvement	Department of Traditional and Local Government Affairs	40,586					40,586	N/A		YES	
LUMS	National Treasury	228	(50,000)				228	N/A		YES	
Municipal Finance Management	Department of housing	50,000					0	N/A		YES	
Housing plan grant	National Treasury	101,307					101,307	N/A		YES	
Specific program grant	Department of Traditional and Local Government Affairs	12,451					12,451	N/A		YES	
GLMA KZN grant	Unspecified District Municipality	102,087	(197,937)				0	N/A		YES	
Development of policies	Unspecified District Municipality	50,000	(50,000)				0	N/A		YES	
IDP grant	Unspecified District Municipality	50,000	(50,000)				0	N/A		YES	
Grant - financial plan	Department of Traditional and Local Government Affairs	160,000			-142,000		17,399	N/A		YES	
Grant - Physical form	Department of Traditional and Local Government Affairs	100,000	(100,000)				0	N/A		YES	
Spacial planning	Department of Traditional and Local Government Affairs	100,000					100,000	N/A		YES	
Management Assistance Project	Department of Traditional and Local Government Affairs	100,000					100,000	N/A		YES	
Library - computer expenses	Department of Traditional and Local Government Affairs	78,900					78,900	N/A		YES	
Corridor development	Department of Traditional and Local Government Affairs	2,596,731			-1,317,128		1,279,603	N/A		YES	
Ethanol development	Department of Traditional and Local Government Affairs	287,043			-125,781		161,262	N/A		YES	
Storm damage	Department of housing	2,778,000			-1,328,954		2,821,500	N/A		YES	
Hotel upgrade	Department of housing	0				971,500	0	N/A		YES	
		10,841,850	(7,318,387)	8,836,187	-15,317,110	81,500	5,548,563				